

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

PeoplesSouth Bancshares, Inc. (holding company) PeoplesSouth Bank (bank)

Point of Contact:	Sandra Womble	RSSD: (For Bank Holding Companies)	1866155
UST Sequence Number:	950	Docket Number: (For Thrift Holding Companies)	N/A
CPP/CDCI Funds Received:	12,325,000	FDIC Certificate Number: (For Depository Institutions)	21292
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	N/A
Date Funded (first funding):	March 06, 2009	City:	Colquitt
Date Repaid ¹ :	N/A	State:	Georgia

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☐ Increase lending or reduce lending less than otherwise would have occurred.

☐ To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

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☒ **Increase securities purchased (ABS, MBS, etc.).**

As of December 2009, the bank's total investments were \$73,490 million. As of December 2010, the investments increased to \$124,261 million. The investments purchased were issued by U.S. Government sponsored agencies, primarily FNMA and Freddie Mac.

☐ **Make other investments.**

☐ **Increase reserves for non-performing assets.**

☐ **Reduce borrowings.**

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☐ Increase charge-offs.

☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

The funds are held by PeoplesSouth Bancshares, Inc., which is the holding company. We currently have the funds in a deposit account with the bank.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

The bank's number one goal when we obtained the CPP funds was to increase lending in the bank. However, when the economy really took a downturn, we then turned our focus on trying to purchase branches from other banks that may have problems. However, we were unable to purchase the branches we were interested in. Therefore, we have used the funds to increase our investments for the time being. Our investments have included FNMA, Freddie Mac, and other Government Sponsored securities. As stated above, our first intention was to increase our lending efforts. In fact, the holding company had to hold a Special Called Stockholder meeting to amend the Articles of Incorporation to allow us to issue the Preferred Stock. At the stockholder's meeting it was disclosed that we were obtaining the funds for the following three reasons: 1) deposit into PeoplesSouth Bank to provide additional money to loan 2) the funds would serve as an additional source of strength for the holding company, and 3) the funds would increase the bank's capital allowing for possible acquisitions or expansions.